

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
CLERK**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREENUP COUNTY CLERK

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Greenup County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$27,161 from the prior year, resulting in excess fees of \$151,607 as of December 31, 2008. Revenues decreased by \$501,550 from the prior year and expenditures decreased by \$474,389.

Debt Obligations:

The County Clerk was committed to the following lease agreements as of December 31, 2008:

- A. The office of the County Clerk was committed to a software lease agreement with Software Management Inc. The agreement commenced on February 18, 2008 and requires monthly payments of \$2,075 for 12 months, then requires monthly payments of \$2,375 for 48 months commencing February 17, 2009.
- B. The office of the County Clerk was committed to an operating lease agreement with the City of Flatwoods, Greenup County, Kentucky, for office space to be used as the Flatwoods branch of County Clerk's office. The agreement requires a monthly payment of \$600 for a term of 36 months ending December 31, 2010.
- C. The office of the County Clerk was committed to an operating lease agreement with Pitney Bowes Credit Corporation for a mailing machine. The agreement commenced on September 13, 2005 and requires monthly payments of \$224 for 60 months. The total balance of the agreement was \$3,570 as of December 31, 2008.
- D. The office of the County Clerk was committed to an operating lease agreement with Oce Financial Services Corporation for a copier. The agreement commenced February 19, 2007 and requires monthly payments of \$224 for 48 months.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert Carpenter, Greenup County Judge/Executive
The Honorable Pat Hieneman, Greenup County Clerk
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Greenup County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2009 on our consideration of the Greenup County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Robert Carpenter, Greenup County Judge/Executive
The Honorable Pat Hieneman Greenup County Clerk
Members of the Greenup County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Greenup County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

October 15, 2009

GREENUP COUNTY
PAT HIENEMAN, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State Grants		\$	36,334
State Fees For Services			15,369
Fiscal Court			81,769
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,056,040	
Usage Tax		2,980,624	
Tangible Personal Property Tax		2,996,875	
Child Victim Fund		102	
Notary Fees		9,222	
Lien Release Fees		20,910	
Miscellaneous		4,057	
Other-			
Marriage Licenses		17,400	
Deed Transfer Tax		64,704	
Delinquent Tax		835,990	7,985,924
Fees Collected for Services:			
Recordings-			
Bail Bonds		1,012	
Chattel Mortgages and Financing Statements		85,910	
Deeds		18,343	
Leases		478	
Liens and Lis Pendens		9,427	
Power of Attorney		3,011	
Releases		20,569	
Real Estate Mortgages		60,285	
Miscellaneous Recordings		6,432	
Wills and Estate Settlements		3,245	
Affordable Housing Trust Fund		45,510	
Charges for Other Services-			
Candidate Filing Fees		1,820	
Copywork		6,831	262,873

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
 PAT HIENEMAN, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Revenues (Continued)

Other:

Postage	\$	2,782	
Refunds and Overpayments		119,140	
Miscellaneous		<u>2,963</u>	\$ 124,885

Interest Earned			<u>4,400</u>
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Total Revenues			8,511,554
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Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	727,166	
Usage Tax		2,886,633	
Tangible Personal Property Tax		1,031,844	
Licenses, Taxes, and Fees-			
Delinquent Tax		319,359	
Legal Process Tax		34,142	
Affordable Housing Trust		<u>45,522</u>	5,044,666

Payments to Fiscal Court:

Tangible Personal Property Tax		185,324	
Delinquent Tax		60,870	
Deed Transfer Tax		<u>61,469</u>	307,663

Payments to Other Districts:

Tangible Personal Property Tax		1,658,676	
Delinquent Tax		<u>339,237</u>	1,997,913

Payments to Sheriff			3,232
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Payments to County Attorney			59,326
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The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
 PAT HIENEMAN, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	397,792
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Employee Benefits-

Employer's Share Social Security		34,265
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Employer's Share Retirement		22,928
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Contracted Services-

Professional Services		30,745
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Contract Labor		7,225
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Materials and Supplies-

Office Supplies		42,877
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Office Equipment		923
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Library and Archives Grant		3,934
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Other Charges-

Refunds		140,121
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Dues		1,800
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Bank Service Charges		4,331
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Miscellaneous Clerk Office Expenses		32,024
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Election Expense		78,035
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Clerk's Insurance and Bond		253
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Postage		8,338
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Capital Outlay-

Office Equipment		25,758
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Debt Service:

Lease Purchases		31,128	\$	862,477
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Total Expenditures			\$	8,275,277
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The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
 PAT HIENEMAN, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Net Revenues		\$	236,277
Less: Statutory Maximum			<u>79,308</u>
Excess Fees			156,969
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>1,762</u>	<u>5,362</u>
Excess Fees Due County for 2008			151,607
Payment to Fiscal Court - February 9, 2009			<u>150,000</u>
Balance Due Fiscal Court at Completion of Audit *		\$	<u><u>1,607</u></u>

* The County Clerk presented a check to the Greenup County Treasurer on October 7, 2009 for the balance due.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Greenup County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Greenup County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Grant

The Greenup County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$36,334. Funds totaling \$36,334 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2008.

Note 5. Leases

The County Clerk was committed to the following lease agreements as of December 31, 2008:

- A. The office of the County Clerk was committed to a software lease agreement with Software Management Inc. The agreement commenced on February 18, 2008 and requires monthly payments of \$2,075 for 12 months, then requires monthly payments of \$2,375 for 48 months commencing February 17, 2009.
- B. The office of the County Clerk was committed to an operating lease agreement with the City of Flatwoods, Greenup County, Kentucky, for office space to be used as the Flatwoods branch of County Clerk's office. The agreement requires a monthly payment of \$600 for a term of 36 months ending December 31, 2010.
- C. The office of the County Clerk was committed to an operating lease agreement with Pitney Bowes Credit Corporation for a mailing machine. The agreement commenced on September 13, 2005 and requires monthly payments of \$224 for 60 months. The total balance of the agreement was \$3,570 as of December 31, 2008.
- D. The office of the County Clerk was committed to an operating lease agreement with Oce Financial Services Corporation for a copier. The agreement commenced February 19, 2007 and requires monthly payments of \$224 for 48 months.

Note 6. Escrow

The County Clerk's office had a certificate of deposit and a checking account, totaling \$65,009 as of December 31, 2007. The account originated from unclaimed funds from the purchase of land for public use. The owners and heirs could not be located. The last transaction in the accounts occurred in November 1979.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert Carpenter, Greenup County Judge/Executive
The Honorable Pat Hieneman, Greenup County Clerk
Members of the Greenup County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Greenup County Clerk for the year ended December 31, 2008, and have issued our report thereon dated October 15, 2009. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Greenup County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Greenup County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

October 15, 2009

